

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|---|--------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | County |
| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature <i>Hennrich A. Berthiaume</i> | Printed Name | | License Number | |

VILLAGE OF UBLY

Huron County, Michigan

FINANCIAL STATEMENTS

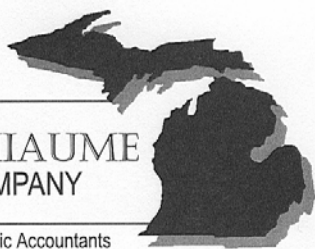
February 28, 2007

TABLE OF CONTENTS

| | PAGE |
|---|----------|
| Independent Auditors' Report..... | 1 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets..... | 3 |
| Statement of Activities..... | 4 |
| Fund Financial Statements: | |
| <i>Governmental Funds:</i> | |
| Balance Sheet..... | 5 |
| Reconciliation of Fund Balances of Governmental Funds to Net Assets of | |
| Governmental Activities..... | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balances..... | 7 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in | |
| Fund Balances of Governmental Funds to the Statement of Activities..... | 8 |
| <i>Proprietary Funds:</i> | |
| Statement of Net Assets..... | 9 |
| Statement of Revenues, Expenses, and Changes in Net Assets..... | 10 |
| Statement of Cash Flows..... | 11 |
| Notes to Financial Statements..... | 13 |
| Required Supplemental Information: | |
| Budgetary Comparison Schedule – General Fund..... | 24 |
| Budgetary Comparison Schedule –Special Revenue Fund – Major Street Fund..... | 25 |
| Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund..... | 26 |
| Pension System Schedule of Funding Progress..... | 27 |
| Other Supplemental Information: | |
| <i>General Fund:</i> | |
| Detailed Schedule of Revenues..... | 29 |
| Detailed Schedule of Expenditures..... | 30 |
| Schedule of Indebtedness..... | 33 |

BERTHIAUME
& COMPANY

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Ubly
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ubly as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Ubly's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ubly, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules and schedule of pension plan funding progress as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ubly's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

June 5, 2007

BASIC FINANCIAL STATEMENTS

VILLAGE OF UBLY

STATEMENT OF NET ASSETS

February 28, 2007

| | <i><u>Governmental</u></i> <i><u>Activities</u></i> | <i><u>Business-type</u></i> <i><u>Activities</u></i> | <i><u>Total</u></i> |
|---|--|---|---------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 1,124,934 | \$ 135,428 | \$ 1,260,362 |
| Receivables | 25,878 | 32,333 | 58,211 |
| Internal balances | (1,220) | 1,220 | - |
| Capital assets: | | | |
| Nondepreciable capital assets | 101,810 | - | 101,810 |
| Depreciable capital assets, net | <u>924,309</u> | <u>1,264,242</u> | <u>2,188,551</u> |
| Total assets | <u>2,175,711</u> | <u>1,433,223</u> | <u>3,608,934</u> |
| Liabilities: | | | |
| Accounts payable and accrued expenses | 12,729 | 85,859 | 98,588 |
| Long-term liabilities: | | | |
| Due within one year | 10,000 | - | 10,000 |
| Due in more than one year | <u>213,774</u> | <u>-</u> | <u>213,774</u> |
| Total liabilities | <u>236,503</u> | <u>85,859</u> | <u>322,362</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 831,119 | 1,264,242 | 2,095,361 |
| Restricted for: | | | |
| Streets | 655,089 | - | 655,089 |
| Unrestricted net assets | <u>453,000</u> | <u>83,122</u> | <u>536,122</u> |
| Total net assets | <u>\$ 1,939,208</u> | <u>\$ 1,347,364</u> | <u>\$ 3,286,572</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue</u> |
|------------------------------------|-------------------|-------------------------------------|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| <i>Governmental activities:</i> | | | | |
| General government | \$ 163,098 | \$ 22,837 | \$ - | \$ (140,261) |
| Public safety | 118,800 | 4,280 | 13,486 | (101,034) |
| Public works | 239,719 | 59,358 | 100,942 | (79,419) |
| Health and welfare | 500 | - | - | (500) |
| Community and economic development | 455 | 585 | - | 130 |
| Recreation and culture | 88,001 | 18,963 | 23,669 | (45,369) |
| Interest on long-term debt | <u>11,142</u> | <u>-</u> | <u>-</u> | <u>(11,142)</u> |
| Total governmental activities | <u>621,715</u> | <u>106,023</u> | <u>138,097</u> | <u>(377,595)</u> |
| <i>Business-type activities:</i> | | | | |
| Water | <u>108,678</u> | <u>205,624</u> | <u>-</u> | <u>96,946</u> |
| Total business-type activities | <u>108,678</u> | <u>205,624</u> | <u>-</u> | <u>96,946</u> |
| Total government | <u>\$ 730,393</u> | <u>\$ 311,647</u> | <u>\$ 138,097</u> | <u>\$ (280,649)</u> |

The accompanying notes are an integral part of these financial statements.

| | <i>Governmental Activities</i> | <i>Business- type Activities</i> | <i>Total</i> |
|---|---|---|---------------------|
| | | | |
| <i>Changes in net assets:</i> | | | |
| Net (Expense) Revenue | \$ (377,595) | \$ 96,946 | \$ (280,649) |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purpose | 202,849 | - | 202,849 |
| Property taxes, levied for street improvements | 53,776 | - | 53,776 |
| Property taxes, levied for library operations | 16,777 | - | 16,777 |
| Franchise taxes | 3,542 | - | 3,542 |
| Grants and contributions not restricted to specific programs | 86,421 | - | 86,421 |
| Unrestricted investment earnings | <u>40,377</u> | <u>-</u> | <u>40,377</u> |
| Total general revenues and contributions | <u>403,742</u> | <u>-</u> | <u>403,742</u> |
| Change in net assets | 26,147 | 96,946 | 123,093 |
| Net assets, beginning of year | <u>1,913,061</u> | <u>1,250,418</u> | <u>3,163,479</u> |
| Net assets, end of year | <u>\$ 1,939,208</u> | <u>\$ 1,347,364</u> | <u>\$ 3,286,572</u> |

VILLAGE OF UBLY

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2007

| | | | | <i>Nonmajor Governmental Fund</i> | <i>Total Governmental Funds</i> |
|---------------------------------------|-------------------------|----------------------------------|----------------------------------|---|---|
| | <i>General Fund</i> | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Library Fund</i> | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 448,374 | \$ 427,992 | \$ 215,621 | \$ 32,947 | \$ 1,124,934 |
| Due from other governmental units | <u>14,402</u> | <u>7,586</u> | <u>3,890</u> | <u>-</u> | <u>25,878</u> |
| Total assets | <u>\$ 462,776</u> | <u>\$ 435,578</u> | <u>\$ 219,511</u> | <u>\$ 32,947</u> | <u>\$ 1,150,812</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 8,075 | \$ - | \$ - | \$ 1,160 | \$ 9,235 |
| Due to other funds | <u>1,220</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,220</u> |
| Total liabilities | <u>9,295</u> | <u>-</u> | <u>-</u> | <u>1,160</u> | <u>10,455</u> |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| General fund | 453,481 | - | - | - | 453,481 |
| Special revenue funds | <u>-</u> | <u>435,578</u> | <u>219,511</u> | <u>31,787</u> | <u>686,876</u> |
| Total fund balances | <u>453,481</u> | <u>435,578</u> | <u>219,511</u> | <u>31,787</u> | <u>1,140,357</u> |
| Total liabilities and fund balances | <u>\$ 462,776</u> | <u>\$ 435,578</u> | <u>\$ 219,511</u> | <u>\$ 32,947</u> | <u>\$ 1,150,812</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2007

Total fund balances for governmental funds \$ 1,140,357

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

| | | |
|-------------------------------|------------------|-----------|
| Governmental capital assets | 1,550,061 | |
| Less accumulated depreciation | <u>(523,942)</u> | 1,026,119 |

Interest payable in the governmental activities are not payable from
current resources and therefore are not reported in the governmental
funds. (3,494)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

| | | |
|------------------------------|-----------------|------------------|
| Bonds payable | (195,000) | |
| Compensated absences payable | <u>(28,774)</u> | <u>(223,774)</u> |

Net assets of governmental activities \$ 1,939,208

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2007

| | | | | <i>Nonmajor Governmental Fund</i> | |
|--|-------------------------|----------------------------------|----------------------------------|---|---|
| | <i>General Fund</i> | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Library Fund</i> | <i>Total Governmental Funds</i> |
| Revenues: | | | | | |
| Property taxes | \$ 202,849 | \$ 40,276 | \$ 13,500 | \$ 16,777 | \$ 273,402 |
| Licenses and permits | 3,542 | - | - | - | 3,542 |
| State grants | 88,667 | 48,554 | 25,276 | 3,161 | 165,658 |
| Contributions from other units | 11,240 | 11,000 | 16,112 | 20,423 | 58,775 |
| Charges for services | 60,596 | 2,030 | - | 5,177 | 67,803 |
| Fines and forfeits | 2,800 | - | - | 1,765 | 4,565 |
| Interest and rents | 46,212 | 15,365 | 6,086 | 9,161 | 76,824 |
| Other revenue | <u>14,556</u> | <u>244</u> | <u>270</u> | <u>10,261</u> | <u>25,331</u> |
| Total revenues | <u>430,462</u> | <u>117,469</u> | <u>61,244</u> | <u>66,725</u> | <u>675,900</u> |
| Expenditures: | | | | | |
| Current | | | | | |
| General government | 68,299 | - | - | - | 68,299 |
| Public safety | 100,631 | - | - | - | 100,631 |
| Public works | 131,378 | 86,250 | 31,217 | - | 248,845 |
| Health and welfare | 500 | - | - | - | 500 |
| Community and economic development | 455 | - | - | - | 455 |
| Recreation and culture | 6,880 | - | - | 62,021 | 68,901 |
| Other | 89,034 | - | - | - | 89,034 |
| Capital outlay | 979 | - | - | 149 | 1,128 |
| Debt service | | | | | |
| Interest and fees | <u>12,461</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,461</u> |
| Total expenditures | <u>410,617</u> | <u>86,250</u> | <u>31,217</u> | <u>62,170</u> | <u>590,254</u> |
| Excess (deficiency) of revenues over expenditures | 19,845 | 31,219 | 30,027 | 4,555 | 85,646 |
| Fund balances, beginning of year | <u>433,636</u> | <u>404,359</u> | <u>189,484</u> | <u>27,232</u> | <u>1,054,711</u> |
| Fund balances, end of year | <u>\$ 453,481</u> | <u>\$ 435,578</u> | <u>\$ 219,511</u> | <u>\$ 31,787</u> | <u>\$ 1,140,357</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 28, 2007

Net change in fund balances - total governmental funds **\$ 85,646**

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

| | | |
|---------------------------|-----------------|----------|
| Capital outlay | - | |
| Less depreciation expense | <u>(54,275)</u> | (54,275) |

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as expenditures
in governmental funds.

| | | |
|---|--------------|----------------|
| Change in compensated absences payable | (6,543) | |
| Change in accrued interest on bonds and loans payable | <u>1,319</u> | <u>(5,224)</u> |

Change in net assets of governmental activities **\$ 26,147**

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

February 28, 2007

| | <i><u>Major Enterprise Fund</u></i> |
|--|---|
| | <i><u>Water Fund</u></i> |
| Assets: | |
| <i>Current assets:</i> | |
| Cash and cash equivalents | \$ 135,428 |
| Accounts receivable | 32,333 |
| Due from other funds | <u>1,220</u> |
| Total current assets | <u>168,981</u> |
| <i>Noncurrent assets:</i> | |
| Capital assets: | |
| Depreciable capital assets, net | <u>1,264,242</u> |
| Total noncurrent assets | <u>1,264,242</u> |
| Total assets | <u>1,433,223</u> |
| Liabilities: | |
| <i>Current liabilities:</i> | |
| Accounts payable | <u>85,859</u> |
| Total current liabilities | <u>85,859</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 1,264,242 |
| Unrestricted | <u>83,122</u> |
| Total net assets | <u>\$ 1,347,364</u> |

The accompanying notes are an integral part of these financial statements

VILLAGE OF UBLY

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2007

| | <u>Major</u> <u>Enterprise Fund</u> |
|-------------------------------|--|
| | <u>Water Fund</u> |
| Operating revenues: | |
| Charges for services | \$ 182,236 |
| Other | <u>23,388</u> |
| Total operating revenues | <u>205,624</u> |
| Operating expenses: | |
| Personnel | 17,385 |
| Fringe benefits | 10,153 |
| Administrative expense | 3,535 |
| Utilities | 4,215 |
| Repairs and maintenance | 8,059 |
| Equipment rental | 7,814 |
| Other services and supplies | 23,612 |
| Depreciation | <u>33,905</u> |
| Total operating expenses | <u>108,678</u> |
| Operating income (loss) | 96,946 |
| Net assets, beginning of year | <u>1,250,418</u> |
| Net assets, end of year | <u>\$ 1,347,364</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 28, 2007

| | <u>Major</u> |
|---|------------------------|
| | <u>Enterprise Fund</u> |
| | <u>Water Fund</u> |
| Cash flow from operating activities: | |
| Cash received from customers | \$ 205,624 |
| Cash payments to employees | (17,385) |
| Cash payments to suppliers for goods and services | <u>(59,050)</u> |
| Net cash provided (used) by operating activities | <u>129,189</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | <u>(58,228)</u> |
| Net cash used by capital and related financing activities | <u>(58,228)</u> |
| Net increase (decrease) in cash and cash equivalents | 70,961 |
| Cash and cash equivalents, beginning of year | <u>64,467</u> |
| Cash and cash equivalents, end of year | <u>\$ 135,428</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 96,946 |
| Adjustments: | |
| Depreciation | 33,905 |
| Change in assets and liabilities: | |
| Due from other funds | (1,220) |
| Accounts payable and accrued expenses | <u>(442)</u> |
| Net cash provided (used) by operating activities | <u>\$ 129,189</u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Ubyly conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units, if any. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) has no component units and accordingly, the Village has not consolidated any entities into its financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports the following major governmental funds:

The ***General Fund*** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The ***Major Street Fund*** is used to account for the maintenance and construction of the Village's major street system.

The ***Local Street Fund*** is used to account for the maintenance and construction of the Village's local street system.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

The Village reports the following major enterprise funds:

The ***Water Fund*** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|-------------|
| Land improvements | 20-40 years |
| Buildings and improvements | 20-40 years |
| Furniture and fixtures | 5-10 years |
| Equipment | 5-25 years |
| Vehicles | 5-15 years |
| Water distribution system | 20-40 years |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Compensated Absences – Under agreements with the Village, certain employees are allowed to accumulate up to 90 days for subsequent use or for payment upon termination. All sick leave is accrued when incurred in the government-wide financial statements. Governmental funds record the vested sick leave as an expenditure of the current year to the extent it is paid during the year. The liability has been computed based on pay rates in effect as of February 28, 2007.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2006 taxable valuation of the Village totaled \$16,805,962, on which ad valorem taxes levied consisted of 9.5430 mills for the Village’s operating purposes, 2.4965 mills for street lights, 3.2000 mills for municipal streets and .9984 mills for library operations consisting of .2994 mills allocated and .6990 mills voted.

The delinquent real property taxes of the Village are purchased by Huron County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$1,277,657 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$782,559 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007 was as follows:

| | <i><u>Beginning Balance</u></i> | <i><u>Additions</u></i> | <i><u>Retirements</u></i> | <i><u>Ending Balance</u></i> |
|---|-------------------------------------|-------------------------|---------------------------|----------------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 101,810 | \$ - | \$ - | \$ 101,810 |
| Depreciable capital assets: | | | | |
| Land improvements | 113,550 | - | - | 113,550 |
| Buildings and improvements | 919,491 | - | - | 919,491 |
| Furniture and fixtures | 15,937 | - | - | 15,937 |
| Equipment | 301,538 | - | - | 301,538 |
| Vehicles | 97,735 | - | - | 97,735 |
| Total depreciable capital assets | 1,448,251 | - | - | 1,448,251 |
| Accumulated depreciation | (469,667) | (54,275) | - | (523,942) |
| Depreciable capital assets, net | 978,584 | (54,275) | - | 924,309 |
| Governmental activities, capital assets, net | <u>\$ 1,080,394</u> | <u>\$ (54,275)</u> | <u>\$ -</u> | <u>\$ 1,026,119</u> |
| Business-type activities: | | | | |
| Depreciable capital assets | | | | |
| Buildings and improvements | 156,053 | - | - | 156,053 |
| Equipment | 4,074 | - | - | 4,074 |
| Distribution system | 1,130,600 | 144,087 | - | 1,274,687 |
| Total capital depreciable assets | 1,290,727 | 144,087 | - | 1,434,814 |
| Accumulated depreciation | (136,667) | (33,905) | - | (170,572) |
| Business-type activities, capital assets, net | <u>\$ 1,154,060</u> | <u>\$ 110,182</u> | <u>\$ -</u> | <u>\$ 1,264,242</u> |

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|-------------------------------|------------------|
| General government | \$ 3,798 |
| Public safety | 15,271 |
| Public works | 16,255 |
| Recreation and culture | <u>18,951</u> |
| Total governmental activities | <u>\$ 54,275</u> |

Business-type activities:

| | |
|--------------------------------|------------------|
| Water | <u>\$ 33,905</u> |
| Total business-type activities | <u>\$ 33,905</u> |

NOTE 5: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 28, 2007 consisted of the following:

| <u>Types of Indebtedness</u> | <u>Maturity</u> | <u>Interest Rates</u> | <u>Annual Principal Installments</u> | <u>Original Issue Amount</u> |
|---|-----------------|-----------------------|--------------------------------------|------------------------------|
| <u>Governmental Activities</u> | | | | |
| <u>General Obligation Bonds</u> | | | | |
| 2005 Issue - Village Capital Improvements | | | | |
| Serial Current Interest Bonds | 11/1/07-11/1/20 | 5.375% | \$10,000-20,000 | \$ 195,000 |

The following is a summary of long-term liabilities transactions for the year ended February 28, 2007:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|--------------------------|------------------|--------------------|-----------------------|----------------------------|
| Governmental activities: | | | | | |
| General Obligation Bonds: | | | | | |
| 2005 Issue | \$ 195,000 | \$ - | \$ - | \$ 195,000 | \$ 10,000 |
| Compensated Absences | <u>22,231</u> | <u>6,543</u> | <u>-</u> | <u>28,774</u> | <u>-</u> |
| Total governmental activities | | | | | |
| - long-term liabilities | <u>\$ 217,231</u> | <u>\$ 6,543</u> | <u>\$ -</u> | <u>\$ 223,774</u> | <u>\$ 10,000</u> |

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

The following is a summary of long-term liabilities transactions for the year ended February 28, 2007:

| <i>Year Ended February 28,</i> | <i>Governmental Activities</i> | | |
|------------------------------------|--------------------------------|------------------|-------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2008 | \$ 10,000 | \$ 10,213 | \$ 20,213 |
| 2009 | 10,000 | 9,675 | 19,675 |
| 2010 | 10,000 | 9,137 | 19,137 |
| 2011 | 10,000 | 8,600 | 18,600 |
| 2012 | 10,000 | 8,063 | 18,063 |
| 2013-2017 | 70,000 | 30,100 | 100,100 |
| 2018-2021 | <u>75,000</u> | <u>8,465</u> | <u>83,465</u> |
| | <u>\$ 195,000</u> | <u>\$ 84,253</u> | <u>\$ 279,253</u> |

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> |
|---|------------------------------------|-------------------------------------|
| Receivables: | | |
| Accounts | | \$ 32,333 |
| Intergovernmental | 25,878 | - |
| Total receivables | <u>\$ 25,878</u> | <u>\$ 32,333</u> |
| Accounts payable and accrued expenses: | | |
| Accounts | \$ 9,235 | \$ 85,859 |
| Interest | 3,494 | - |
| Total accounts payable and accrued expenses | <u>\$ 12,729</u> | <u>\$ 85,859</u> |

NOTE 7: INTERFUND BALANCES

The composition of interfund receivable and payable balances at February 28, 2007 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-----------------|
| Water Fund | General Fund | \$ 1,220 |
| | | <u>\$ 1,220</u> |

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that payments between funds are made.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 8: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased insurance through the Municipal Benefit Services for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Municipal League's Liability and Property Pool. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Municipal Liability and Property Pool are self-sustaining through member premiums. The Michigan Municipal Liability and Property Pool provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers municipal employees in the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at a rate of 7%. The Village of Uby is required to contribute at actuarially determined rate; the current rate was 8.87% of eligible payroll based on the December 31, 2004 valuation.

Annual Pension Costs – For year ended February 28, 2007, the Village's annual pension cost of \$ 15,877 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Three year trend information as of February 28, follows:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-------------------------------|-------------|-------------|-------------|
| Annual pension cost | \$ 15,877 | \$ 11,756 | \$ 12,778 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | - | - | - |

Post Employment Benefits:

The Village has no post employment other than the retirement plan mentioned above.

Deferred Compensation Plan:

The employees of the Village are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by National Retirement Solutions. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

The Village adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Village has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the Village's financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF UBLY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

| | <i><u>Budgeted Amounts</u></i> | | | <i><u>Actual</u></i> |
|--|--------------------------------|---------------------|----------------------|----------------------------|
| | <i><u>Original</u></i> | <i><u>Final</u></i> | <i><u>Actual</u></i> | <i><u>Over (Under)</u></i> |
| | | | | <i><u>Final Budget</u></i> |
| Revenues: | | | | |
| Property taxes | \$ 201,830 | \$ 202,849 | \$ 202,849 | \$ - |
| Licenses and permits | 2,300 | 3,542 | 3,542 | - |
| State grants | 90,000 | 89,092 | 88,667 | (425) |
| Contributions from other units | 10,500 | 11,240 | 11,240 | - |
| Charges for services | 57,970 | 60,596 | 60,596 | - |
| Fines and forfeits | 2,000 | 2,800 | 2,800 | - |
| Interest and rents | 43,714 | 42,613 | 46,212 | 3,599 |
| Other revenue | 15,600 | 15,778 | 14,556 | (1,222) |
| | <u>423,914</u> | <u>428,510</u> | <u>430,462</u> | <u>1,952</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current | | | | |
| General government | 73,200 | 68,452 | 68,299 | (153) |
| Public safety | 118,583 | 101,500 | 100,631 | (869) |
| Public works | 136,290 | 132,391 | 131,378 | (1,013) |
| Health and welfare | 500 | 500 | 500 | - |
| Community and economic development | - | 455 | 455 | - |
| Recreation | 4,000 | 7,163 | 6,880 | (283) |
| Other | 97,300 | 94,327 | 89,034 | (5,293) |
| Capital outlay | - | 1,000 | 979 | (21) |
| Debt service | | | | |
| Interest and fees | 12,461 | 12,461 | 12,461 | - |
| | <u>442,334</u> | <u>418,249</u> | <u>410,617</u> | <u>(7,632)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | (18,420) | 10,261 | 19,845 | 9,584 |
| Fund balance, beginning of year | <u>433,636</u> | <u>433,636</u> | <u>433,636</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 415,216</u> | <u>\$ 443,897</u> | <u>\$ 453,481</u> | <u>\$ 9,584</u> |

VILLAGE OF UBLY

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Actual</i> |
|--|-------------------------|-------------------|-------------------|--|
| | <i>Original</i> | <i>Final</i> | | <i>Over (Under)</i> <i>Final Budget</i> |
| Revenues: | | | | |
| Property taxes | \$ 36,000 | \$ 40,276 | \$ 40,276 | \$ - |
| State grants | 40,000 | 48,632 | 48,554 | (78) |
| Contributions from other units | 24,000 | 11,000 | 11,000 | - |
| Charges for services | 2,000 | 2,030 | 2,030 | - |
| Interest and rents | - | 9,870 | 15,365 | 5,495 |
| Other revenue | 3,500 | 244 | 244 | - |
| Total revenues | 105,500 | 112,052 | 117,469 | 5,417 |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 85,500 | 86,253 | 86,250 | (3) |
| Total expenditures | 85,500 | 86,253 | 86,250 | (3) |
| Excess (deficiency) of revenues over expenditures | 20,000 | 25,799 | 31,219 | 5,420 |
| Fund balance, beginning of year | 404,359 | 404,359 | 404,359 | - |
| Fund balance, end of year | <u>\$ 424,359</u> | <u>\$ 430,158</u> | <u>\$ 435,578</u> | <u>\$ 5,420</u> |

VILLAGE OF UBLY

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

| | <i>Budgeted Amounts</i> | | | <i>Actual Over (Under) Final Budget</i> |
|--|--------------------------------|---------------------|----------------------|--|
| | <i>Original</i> | <i>Final</i> | <i>Actual</i> | |
| Revenues: | | | | |
| Property taxes | \$ 10,500 | \$ 13,500 | \$ 13,500 | \$ - |
| State grants | 18,300 | 24,514 | 25,276 | 762 |
| Contributions from other units | 16,000 | 16,112 | 16,112 | - |
| Interest and rents | - | 5,349 | 6,086 | 737 |
| Other revenue | 1,500 | 270 | 270 | - |
| Total revenues | 46,300 | 59,745 | 61,244 | 1,499 |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 46,300 | 31,217 | 31,217 | - |
| Total expenditures | 46,300 | 31,217 | 31,217 | - |
| Excess (deficiency) of revenues over expenditures | - | 28,528 | 30,027 | 1,499 |
| Fund balance, beginning of year | 189,484 | 189,484 | 189,484 | - |
| Fund balance, end of year | <u>\$ 189,484</u> | <u>\$ 218,012</u> | <u>\$ 219,511</u> | <u>\$ 1,499</u> |

VILLAGE OF UBLY

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

February 28, 2007

The schedule of funding progress is as follows:

| <i>Actuarial Valuation Date</i> | <i>12/31/06</i> | <i>12/31/05</i> | <i>12/31/04</i> |
|---|-----------------|-----------------|-----------------|
| Actuarial Value of Assets | \$ 356,858 | \$ 328,618 | \$ 288,708 |
| Actuarial Accrued Liability (AAL) | 581,652 | 545,318 | 405,314 |
| Unfunded AAL (UAAL) | 224,794 | 216,700 | 116,606 |
| Funded Ratio | 61% | 60% | 71% |
| Covered Payroll | 178,673 | 116,076 | 148,384 |
| UAAL as a percentage of covered payroll | 126% | 187% | 79% |

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2007

Current Taxes:

| | |
|----------------|------------|
| Property taxes | \$ 202,849 |
|----------------|------------|

Licenses and permits:

| | |
|---------------------|-------|
| CATV franchise fees | 3,542 |
|---------------------|-------|

State Grants:

| | |
|-----------------------------------|---------------|
| Liquor license fees | 2,246 |
| State revenue sharing - sales tax | 86,421 |
| | <u>88,667</u> |

Contribution from other units:

| | |
|------------------------------------|---------------|
| Police protection fees | 5,000 |
| Contributions from school district | 6,240 |
| | <u>11,240</u> |

Charges for services:

| | |
|------------------------------|---------------|
| Refuse collection fees | 49,000 |
| Recreation fees | 500 |
| Police services | 1,465 |
| Zoning/Variance/Appeals fees | 585 |
| Other | 410 |
| Charges to other funds | 8,636 |
| | <u>60,596</u> |

Fines and forfeits:

| | |
|-----------------|-------|
| Ordinance fines | 2,800 |
|-----------------|-------|

Interest and rents:

| | |
|----------|---------------|
| Interest | 9,765 |
| Rents | 36,447 |
| | <u>46,212</u> |

Other Revenue:

| | |
|-----------------------------|---------------|
| Contributions and donations | 15 |
| Reimbursements | 8,589 |
| Other | 5,952 |
| | <u>14,556</u> |

| | |
|----------------|-------------------|
| Total revenues | <u>\$ 430,462</u> |
|----------------|-------------------|

VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2007

General Government:

Village Council:

| | |
|----------------------|---------------|
| Personnel | \$ 11,084 |
| Dues and memberships | 775 |
| Other | <u>1,528</u> |
| | <u>13,387</u> |

Village Administrator:

| | |
|-----------|---------------|
| Personnel | 29,294 |
| Other | <u>200</u> |
| | <u>29,494</u> |

Clerk:

| | |
|---------------------------|--------------|
| Personnel | 7,597 |
| Supplies | 5 |
| Mileage | 164 |
| Dues and memberships | 50 |
| Education and training | 137 |
| Printing and publications | <u>1,218</u> |
| | <u>9,171</u> |

Treasurer:

| | |
|------------------------|--------------|
| Personnel | 4,255 |
| Supplies | 5 |
| Mileage | 115 |
| Education and training | <u>25</u> |
| | <u>4,400</u> |

Hall and Grounds:

| | |
|-------------------------|--------------|
| Supplies | 3,073 |
| Contracted services | 131 |
| Telephone | 678 |
| Repairs and maintenance | <u>2,219</u> |
| | <u>6,101</u> |

Attorney:

| | |
|---------------------|--------------|
| Contracted services | <u>5,746</u> |
|---------------------|--------------|

| | |
|--------------------------|---------------|
| Total general government | <u>68,299</u> |
|--------------------------|---------------|

VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 28, 2007

Public Safety:

Police:

| | |
|-------------------------|--------|
| Personnel | 84,697 |
| Supplies | 5,672 |
| Contracted services | 4,705 |
| Telephone | 1,881 |
| Education and training | 460 |
| Utilities | 1,774 |
| Repairs and maintenance | 895 |
| Equipment rental | 59 |
| Other | 488 |

100,631

Total public safety

100,631

Public Works:

Department of Public Works:

| | |
|-------------------------|--------|
| Personnel | 46,809 |
| Supplies | 8,555 |
| Contracted services | 718 |
| Mileage | 381 |
| Utilities | 2,414 |
| Repairs and maintenance | 6,749 |
| Other | 400 |

66,026

Sidewalks:

| | |
|---------------------|-------|
| Contracted services | 2,078 |
| Utilities | 32 |

2,110

Drains - Public benefit:

| | |
|---------------------|-----|
| Contracted services | 870 |
|---------------------|-----|

Street Lights:

| | |
|-----------|--------|
| Utilities | 23,343 |
|-----------|--------|

Refuse:

| | |
|---------------------|--------|
| Contracted services | 39,029 |
|---------------------|--------|

Total public works

131,378

VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 28, 2007

Health and Welfare:

Senior Center

| | |
|---------------------|-----|
| Contracted services | 500 |
|---------------------|-----|

| | |
|--|-----|
| Total community and public development | 500 |
|--|-----|

Community and Economic Development:

Planning Commission

| | |
|-------|-----|
| Other | 455 |
|-------|-----|

| | |
|--|-----|
| Total community and public development | 455 |
|--|-----|

Recreation:

Parks and Recreation:

| | |
|---------------------|-------|
| Contracted services | 2,605 |
|---------------------|-------|

| | |
|-----------|-------|
| Utilities | 3,775 |
|-----------|-------|

| | |
|-------|-----|
| Other | 500 |
|-------|-----|

| |
|-------|
| 6,880 |
|-------|

| | |
|------------------|-------|
| Total recreation | 6,880 |
|------------------|-------|

Other:

| | |
|---------------------|--------|
| Insurance and bonds | 15,294 |
|---------------------|--------|

| | |
|-------------------|--------|
| Employee benefits | 45,078 |
|-------------------|--------|

| | |
|------------|--------|
| Retirement | 13,033 |
|------------|--------|

| | |
|---------------|-------|
| Payroll taxes | 9,099 |
|---------------|-------|

| | |
|------------------------|-------|
| Unemployment insurance | 6,530 |
|------------------------|-------|

| | |
|-------------|--------|
| Total other | 89,034 |
|-------------|--------|

Capital Outlay:

| | |
|---------------|-----|
| Public safety | 979 |
|---------------|-----|

| | |
|----------------------|-----|
| Total capital outlay | 979 |
|----------------------|-----|

Debt Service:

| | |
|-------------------|--------|
| Interest and fees | 12,461 |
|-------------------|--------|

| | |
|--------------------|--------|
| Total debt service | 12,461 |
|--------------------|--------|

| | |
|--------------------|------------|
| Total expenditures | \$ 410,617 |
|--------------------|------------|

VILLAGE OF UBLY

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2007

Issue dated 8/23/05 in the amount of \$ 195,000

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at February 28, 2007 \$ 195,000

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Rate</i> | <i>Interest Due</i> | | <i>Principal Due</i> | <i>Total Annual Requirement</i> |
|------------------------------|-------------|---------------------|------------------|----------------------|---|
| | | <i>5/1</i> | <i>11/1</i> | <i>11/1</i> | |
| 2008 | 5.375% | \$ 5,241 | \$ 4,972 | \$ 10,000 | \$ 20,213 |
| 2009 | 5.375% | 4,972 | 4,703 | 10,000 | 19,675 |
| 2010 | 5.375% | 4,703 | 4,434 | 10,000 | 19,137 |
| 2011 | 5.375% | 4,434 | 4,166 | 10,000 | 18,600 |
| 2012 | 5.375% | 4,166 | 3,897 | 10,000 | 18,063 |
| 2013 | 5.375% | 3,897 | 3,628 | 10,000 | 17,525 |
| 2014 | 5.375% | 3,628 | 3,225 | 15,000 | 21,853 |
| 2015 | 5.375% | 3,225 | 2,822 | 15,000 | 21,047 |
| 2016 | 5.375% | 2,822 | 2,419 | 15,000 | 20,241 |
| 2017 | 5.375% | 2,418 | 2,016 | 15,000 | 19,434 |
| 2018 | 5.375% | 2,016 | 1,612 | 15,000 | 18,628 |
| 2019 | 5.375% | 1,612 | 1,075 | 20,000 | 22,687 |
| 2020 | 5.375% | 1,075 | 537 | 20,000 | 21,612 |
| 2021 | 5.375% | 538 | - | 20,000 | 20,538 |
| | | <u>\$ 44,747</u> | <u>\$ 39,506</u> | <u>\$ 195,000</u> | <u>\$ 279,253</u> |



June 5, 2007

To The Village Council
Village of Ubly
Ubly, Michigan

In planning and performing our audit of the Village of Ubly for the year ended February 28, 2007, we have considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated June 5, 2007 on the financial statements of the Village of Ubly.

We will review the status of these comments during our next audit engagement. Please contact us if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth A. Berthiaume".

Kenneth A. Berthiaume
Certified Public Accountant
Berthiaume & Company

KAB/ceb

Village of Ubly
Comments and Recommendations
June 5, 2007

Cash Reconciliations

During our audit, we found that the Village's general ledger cash balances had not been fully reconciled to the Treasurer's cash balances. Unreconciled cash balances can result in transaction errors in the revenue and expenditure accounts that go undetected. Consequently, reports of revenue, expenditure and budget produced by the Village cannot be relied upon as correct.

We recommend that the Village properly and promptly fully reconcile the cash balances every month.

Chart Of Accounts

We observed that the Village has not been using the Uniform Chart of Accounts, for the general ledger, as required by the Michigan Treasury Department. The use of an incorrect Chart of Accounts makes the preparation of reports, in the proper format, much more difficult than necessary.

Approval Of Bills

We observed that the library board approves its own bills for payment. It is required by Michigan law that all Village bills, including bills for the library, be approved by the Village Council.

We also observed that there may have been some transactions handled by a parks and recreation group that were not formally approved by the Village Council and not properly entered into the books of the Village.

We strongly recommend that all transactions / bill payments always be approved by the Village Council and be entered into the Village's general ledger as required.